

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 /045 W

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R 080836Z OCT 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8315

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E. O. 11652: NA

TAGS: EAGR, RP

SUBJECT: COTTON CONTRACT PROBLEMS

PASS USDA/FAS/K. STEPHENS/CEP AND D. WILLIAMS/COT/FMD

STATE/CANGEVINE/F&TD

REF: MANILA 13222, 13614 AND 14142

1. LIRAG: MEETING WITH MRS. REYES OF DBP ON OCT. 7 CONFIRMS THAT LIRAG DID SUBMIT L/C APPLICATIONS FOR ALL HOHENBERG AND PAN AM OVERDUE SALES. LIRAG TOLD DBP THAT THEY ARE NOW TRYING TO ESTABLISH A WORKABLE ARRANGEMENT WITH ALLENBERG, STAPLE, AND LAWRENCE TO ENSURE THAT SHIPPER WILL STAGGER SHIPMENTS WHEN THE L/C'S ARE OPENED.

2. LIRAG TOLD DBP THAT LUIS LOPEZ (LOCAL AGENT FOR LAWRENCE AND STAPLE) WOULD VISIT THE U.S. AFTER ATTENDING THE TEXTILE MACHINERY SHOW IN MILAN TO COMPLETE ARRANGEMENTS WITH SHIPPERS FOR ENSURING LIRAG WOULD BE ABLE TO EXERCISE BUYERS OPTION IN ARRANGING FREIGHT WITH SHIPPING LINES OF THEIR OWN CHOICE AND STRETCHING OUT SHIPPING PERIOD. LIRAG INSISTS ON THESE ASSURANCES BECAUSE OF THEIR PRIOR ARRANGEMENTS WITH SHIPPING LINES FOR FINANCING FREIGHT L/C'S, INSURANCE REQUIREMENTS, AND SHORTAGE OF SUITABLE WAREHOUSE SPACE.

3. ACCORDING TO TEXTRADE, LIRAG'S RESPONSES TO THEIR QUERIES ABOUT
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OPENING ALLENBERG L/C'S WERE THAT THEY ARE WORKING WITH DBP

TO ARRANGE FINANCING FOR PERIOD II OPENING AND NO MENTION MADE OF STRETCHING OUT DELIVERY OR BOOKING OF SHIP SPACE.

4. AGATTACHE CALLED LIRAG TODAY AND DISCUSSED PERIOD II L/C OPENINGS WITH PURCHASING AGENT. LIRAG DISCUSSIONS WITH AGATTACHE WERE SAME AS WITH DBP EXCEPT FOR THE FOLLOWING ADDITIONAL POINTS: (A) LIRAG HAS A QUALITY CLAIM AGAINST ALLENBERG FOR A PRIOR SHIPMENT WHICH THEY WISH TO EITHER SETTLE AMICABLY OR PUT IN ARBITRATION PRIOR TO OPENING ALLENBERG REMAINING OVERDUE CONTRACTS, (B) MANUFACTURING PRIORITIES INDICATE THAT COTTON OF THE SPECIFICATIONS CALLED FOR IN THE HOHENBERG AND PAN AM CONTRACT WILL BE IN SHORT SUPPLY SOONER THAN OTHER COTTON ON CONTRACT, AND (C) LIRAG FULLY INTENDS TO OPEN ALL L/C'S AS PROBLEMS WITH FINANCIAL ARRANGEMENTS, SHIPPING SCHEDULES, FREIGHT BOOKINGS, WAREHOUSING, AND QUALITY DISPUTE FALL INTO PLACE.

5. DBP GAVE AGATTACHE THE FOLLOWING TELEGRAM: QUOTE:
LIRAG TEXTILE MILLS INC IS REQUESTING DBP TO MAKE REPRESENTATIONS TO THE USDA IN ITS BEHALF TO ALLOW FIRM TO OPEN CERTAIN LCS LISTED BELOW AHEAD OF THOSE LCS WITH EARLIER CONTRACTED DATES MEANWHILE THAT LIRAG IS NEGOTIATING AND CLARIFYING CERTAIN POINTS WITH THE OTHER US COTTON SUPPLIERS.

SALE NO 0314 - 200 BALES	\$ 65,700 - PAN AMERICAN
SALE NO P316 - 466 BALES	158,440 - DO-
SALE NO 119 - 1000 BALES	330,000 - HOHENBERG
SALE NO 120 - 1000 BALES	370,000 - DO -

KINDLY ADVISE IF REQUEST OF LIRAG MAY BE ALLOWED. THANKS.

MANAGER REYES
PHILDEBANK UNQUOTE

6. DBP STRONGLY FAVORS ALLOWING LIRAG TO OPEN L/C'S ABOVE-MENTIONED SALES IMMEDIATELY. NOTE THAT PRICE COULD NOT BE INFLUENCING LIRAG IN THIS INSTANCE AS THE PRICE OF THE HOHENBERG COTTON (74 CENTS) IS HIGHER THAN LAWRENCE AT 72.25 CENTS. DBP AGREES THAT CONTINUED STRONG PRESSURE WILL BE EXERTED ON LIRAG FOR REMAINING OVERDUES IN ANY CASE. WE RECOMMEND GIVING THE WAIVER.

7. YUPANGCO: ACCORDING TO DBP YUPANGCO HAS NOW APPLIED FOR L/C LIMITED OFFICIAL USE

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UNDER CAG 439 500 BALES. YUPANGCO TOLD DBP THEY WOULD OPEN REMAINING 7,000 BALES AS SOON AS PRO FORMS INVOICES OBTAINED FROM TEXTRADE. TEXTRADE ADVISES US THAT THEY WILL PROVIDE DBP PRO FORMAS TODAY.

8. INTERNATIONAL MILLS: HAS OPENED L/C'S ON 2,200 BALES BUT IS NOW APPEALING TO DBP FOR LESS RIGID ENFORCEMENT ON REMAINING 3,200 BALES UNDER PERIODS II AND III WITH RALLI-CONEY. INTERNATIONAL

CLAIMS LACK OF STORAGE SPACE BEYOND 2,200 BALES. NEITHER WE
NOR LOCAL AGENT RALLI KNOWLEDGEABLE ON INTERNATIONAL STORAGE
CAPACITY BUT RALLI WILLING TO STAGGER DELIVERY IF CREDITS OPENED.
DBP AGREES RALLI POSITION AND WILL PRESS ISSUE WITH PRESIDENT
K. H. UY OF INTERNATIONAL UPON HIS RETURN TO COUNTRY NEXT WEEK.

9. PACIFIC MILLS: STILL HAVING MINOR DIFFICULTY POSTING COLLA-
TERAL FOR REMAINING 800 BALES FROM ALLENBERG UNDER SALE NO. 8066
BUT STATEMENT ON PROPERTY REAPPRAISAL DUE DBP EARLY NEXT WEEK SAID
TO BE MORE THAN ADEQUATE.

10. CENTRAL: THEIR LAWYER MET WITH MRS. REYES OCT. 7 ABOUT 412
BALES ALLENBERG SALE NO. 4712. LAWYER ASKED FOR MEETING WITH
GOVERNOR OCAMPO AND ALLENBERG AGENT IN WHICH BOTH SIDES WOULD
PRESENT THEIR CASE. LAWYER SAID CENTRAL WOULD ABIDE BY WHATEVER
DECISION OCAMPO BELIEVES IS JUST. WE HAVE ASKED TEXTRADE TO
ADVISE US AS SOON AS DBP CALLS TO SET THE PROPOSED MEETING.

1. UNITED ASIA: MRS. REYES SAID THAT IF UNITED ASIA REBUILDS
THEY WILL BE REQUIRED TO IMPORT THE 690 BALES FROM PAN AM. WE
UNDERSTAND THAT UNITED ASIA IS REBUILDING BUT DO NOT KNOW
TARGET DATE FOR COMPLETION.
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